

THE NILSON REPORT

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PREPAID CARD FRAUD PROTECTION FOR MERCHANTS

Giftango and competitor CashStar are the top providers of virtual private label prepaid cards to U.S. merchants. When a consumer buys a virtual card, it is sent instantly to the recipient's computer or smartphone, making funds immediately available for spending at the merchant. However, if the purchase was made using a stolen credit card, that speed puts a liability on Giftango and CashStar because both offer their customers insurance against fraud. Essentially, they guarantee prepaid card purchases in the same way that Certegy, TeleCheck, and others guarantee paper check payments for merchants.

The problem for Giftango and CashStar is that they are small companies and can't justify booking the potential liability required to offer the largest U.S. merchants a guarantee service that indemnifies against prepaid card fraud losses.

Giftango has decided to subcontract prepaid card fraud protection to Vesta in order to limit its own potential liability as well as to better its opportunities to sell virtual prepaid cards to large merchants.

For 15 years Vesta has been using fraud-fighting technologies to indemnify most major U.S. prepaid

long distance and wireless network operators when minutes or other kinds of value are purchased by credit and debit cards. It guaranteed 50 million card payments last year in the U.S. and for clients China Mobile, China Unicom, and China Telecom in China, and Vodafone, O2, Tele2, Meteor Mobile, and Yoigo outside the U.S.

**VESTA FIGHTS
CARD FRAUD
FOR MOST MAJOR
U.S. TELECOM
SELLING PREPAID
PRODUCTS.**

Vesta entered the prepaid card guarantee business for retailers in 2009 when it signed a deal to indemnify real time reloads for NetSpend, the second largest over-the-counter seller of private label prepaid cards. Last year it started to do the same for Green Dot. Both NetSpend and Vesta are equity holdings of Oak Venture Partners. Doug Fieldhouse is CEO at Vesta Corporation in Portland, Oregon,

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Through the Vesta partnership, Giftango will continue to offer merchants one flat fee for all services rendered, including fulfillment of virtual cards, customer service, processor connectivity, and payment processing as well as indemnification from fraud. David Nelsen is CEO at Giftango in Portland, Oregon, (503) 443-8264, david.nelsen@giftango.com. Prior issues: 970, 955